The CableCARD market has not been successful for the following reasons:

1. Cable companies structure subscription rates and additional fees in such a manner that the savings the typical subscriber will see for using a retail device are limited to the difference between the monthly set top box lease fee and the monthly CableCARD lease fee, which often times is so minute that it would take a significant number of months (or years) for the savings on the cable bill to pay for a retail device. Often times cable companies will charge all customers an additional fee, separate from the subscription fee, in order to access certain channels. As an example, Cox calls it "Advanced TV Gateway". What does Cox Advanced TV Gateway do? If you have a digital set top box, it gives you access to the on-screen programming guide, pay-per-view access, on demand viewing of certain channels, and most importantly....it is required if you want to access any digital channels that are not clear-QAM, including all the High-Definition channels, all premium channels, and several channels that are not offered on the analog subscription. The fee is charged to all customers that have subscriptions to these higher programming packages, even if the customer is using a CableCARD device instead of the leased set top box. It is important to note that programming packages that do not require the Advanced TV Gateway also do not require a set top box or a CableCARD; they only require an analog connection to the television. However, those customers that choose to get a retail CableCARD device cannot use most of the features that this fee is designed to pay for. The only reason such a customer would pay the fee is because that is the only way to view a large portion of the channels available. If the customer did not want to view those channels, he/she would not have a set top box or a CableCARD in the first place. Comparing the cost of leasing a set-top box from Cox (in the Oklahoma City market the following rates currently apply [taken from the Cox website on April 29, 2010]: Standard Receiver, $5.25 per month. DVR Receiver, $7.25 per month and $9.99 per month DVR service, High Definition Receiver, $7.25 per month) to the cost of leasing a CableCARD ($1.99 per month - Oklahoma City market; quoted from the Cox website), it's easy to see the potential savings. One could possibly save the following amounts per month: Standard Receiver, $3.01 per month; DVR receiver, $5.01 per month with the potential to either save up to $9.99 on DVR service or pay additional DVR fees to a third party; HD receiver, $5.01 per month. However, the $6 per month that it costs for the Advanced TV Gateway could significantly boost those numbers if Cox were charging that fee only to the customers that were using Cox owned set top boxes. Instead of charging the customers that can actually use the programming guide, the pay-per-view, and on demand features offered, they charge it to everyone, even if the customer can't use those particular services (CableCARD customers). Cox could easily increase the rates for leasing the set top boxes by $6 per month, but then that really makes those numbers look big....$11.25 for a standard receiver, $13.25 for the HD and DVR receivers. Or offer a discounted rate to CableCARD customers that can't access all the features described in the fee's description. Instead, they deceive customers by charging a fee that is essentially a "right to access" fee when the access right was granted by paying for the hardware lease and the subscription to those channels. Considering the high cost of retail CableCARD devices (TiVo-$300 plus subscription fees

ranging from $12.95 per month to $400 for a lifetime membership; the Ceton InfiniTV4 is $400) it would take a substantially long time for the money spent on a retail CableCARD device to be more cost effective than leasing a set-top box from Cox, which could possibly exceed the expected life span of the retail device. The high cost of a retail CableCARD device, the expected life span of that device, and the time required to benefit from purchasing that device rather than leasing a device from the cable company all contribute to the majority of cable subscribers choosing to lease a cable set top box from their cable company rather than purchase their own CableCARD receiver.

2. There is no company in the market today which is large enough and can make equipment cheap enough to compete with manufacturers of digital cable boxes, the agreements that these manufacturers have with cable companies, and the rates at which cable companies provide equipment to subscribers. A cable company that enters into an agreement with a set top box manufacturer is able to purchase equipment at a discounted rate as compared to a single consumer wishing to purchase a single set top box.

3. Much like the cellular telephone industry, cable companies that offer free or discounted hardware in exchange for agreements for customers to remain an active paying customer for a predetermined amount of time will draw in more customers than those without such offers. The retail CableCARD industry has no such offers to compete against this type of activity.

4. Consumer electronic devices manufactured with CableCARD ports built into the device typically cost more than those without such ports. A lower price is a stronger selling point, whereas functionality, for the most part, is not.

5. Retail CableCARD devices have been notorious for not functioning correctly or as smooth as leased set top boxes. This applies to both the installation process and general use by the consumer.

6. Cable companies often times offer services that retail CableCARD manufacturers do not; services such as on-demand viewing of both subscription material and pay per view material are usually not available on retail CableCARD devices. However, we are now starting to see a trend of features available on retail CableCARD devices to compete with those features. Services such as Netflix, Amazon Video-on-Demand, and web integration can compete to an extent, but the quality and amount of data available via those methods still cannot compare to the data available via the cable company's own services. It is the extra data and services, simplicity of use, and quality of product provided that tend to sell ideas to customers.

As you can see, there is equal blame both on the part of the cable companies and on the retail CableCARD device manufacturers. First, you have the cable companies charging for things that shouldn't be charged for...even DVR capabilities are a function of hardware requiring no interaction with the cable company, yet somehow they manage to charge a monthly fee for it. Then you throw in how they charge repeatedly for the exact same thing, just with a different name. Now combine all of that with these CableCARD devices on the market that don't really bring anything extra to the table. Yes, there is a problem. Yes, it needs to be fixed. Is the FCC's proposal the fix to the problem? Simply put, no it is not. If you want a technology to compete against the cable companies, it needs to be a good product and competitively priced. So far, no such device exists. Your only choice is to find a way to make alternative options more affordable for consumers, and the only way to do that is to increase the potential savings on the cable bill. You can't increase the savings unless you can control either the cost of manufacturing the retail devices or the amount the consumer has to pay the cable company each month. Obviously you can't tell manufacturers to make cheaper devices...it's already hard enough to make a device much less trying to figure out how to make it cheaper. However, you can force cable companies to charge their rates in a fair manner, bill customers only one time for what they receive, and realigning their rates so that customers that choose to use retail equipment are not forced into paying charges that are useless to them. Unless you do that, any other attempt you make will be a wasted effort, as the cable companies will figure out more ways to penalize those who do not lease their equipment.